

	<b>529<sup>1</sup> Savings Plan</b>	<b>529 Pre-paid Tuition</b>	<b>Coverdell<sup>2</sup> (Educational IRA)</b>	<b>Custodial Account<sup>3</sup> (UGMA/UTMA)</b>
Does this account grow tax free?	Yes – withdrawals are tax free when used for qualified higher education expenses <sup>4</sup>	Yes – withdrawals are tax free when used for qualified higher education expenses	Yes – withdrawals are tax free with used for qualified higher education expenses or elementary or secondary education	No – regular tax rules apply
Who is eligible?	Depending on individual state requirements, beneficiary may have to be a state resident	Depending on individual state requirements, beneficiary may have to be a state resident	Everyone except enrollment is discouraged for married couples with a combined AGI <sup>5</sup> between \$190,000 – \$220,000 and singles with an AGI between \$95,000 and \$110,000.	Anyone
How much can I contribute?	Varies by state plan – highest limit is \$250,000 per beneficiary	Varies by state plan – maximum contributions based on the current age of child and the average cost of in-state universities	\$2,000.00 annually	Unlimited
How can I allocate the account?	Limited to pre-selected mutual funds	Allocation set by the state's plan – account grows at the rate of tuition inflation	At the discretion of the purchaser	At the discretion of the purchaser
What can withdrawals be used for?	Qualified higher education expenses - student must be enrolled at least half time.	Qualified higher education expenses - student must be enrolled at least half time.	Expenses associated with higher education as well as primary and secondary education; contributions to section 529 QTP <sup>6</sup> – student must be enrolled at least half time.	Rules vary by state, but withdrawals can be made for any reason; once beneficiary is of age, they gain control
Can I change beneficiaries?	Yes – within the immediate family including cousins	Yes – within the immediate family including cousins	Yes – provided new beneficiary is under the age of 30 and the original beneficiary must give consent	No
What are the Financial-aid implications?	Viewed as an asset of the contributor under federal methodology; may be viewed as a parental asset by institutions when applying for institutional need based aid.	Viewed as an outside resource under federal methodology; may be viewed as a parental asset by institutions when applying for institutional need based aid.	Viewed as a student asset under federal methodology; may be viewed as a parental asset by institutions when applying for institutional need based aid.	Viewed as an asset of the beneficiary
Who are the best candidates for this type of account?	Those looking to contribute to a tax-free college fund – little control over investments	Those who prefer a guaranteed return based on tuition inflation	Parents who want maximum control over their investment options and who don't have more than \$2,000 to contribute annually	Those looking to transfer assets to a young beneficiary and who are comfortable turning over control once the beneficiary is of age.
Penalty for Early or Non-qualified Withdrawal	Earnings portion of non-qualified withdrawals taxed as ordinary income to the account owner. Subject to additional federal tax of 10% of earnings. No additional 10% tax in cases of death, disability or scholarship.	Earnings portion of non-qualified withdrawals taxed as ordinary income to the account owner. Subject to additional federal tax of 10% of earnings. No additional 10% tax in cases of death, disability or scholarship.	Earnings taxed as ordinary income to contributor and subject to federal 10% of earning additional tax if distributions not used for qualified higher education expenses.	The custodian may not withdraw the money, except for expenses that benefit the child. It is an irrevocable gift to the child.
Is there a guarantee? How safe is my investment?	No. Value of the account is based upon the value of the portfolio at the time of a withdrawal or disbursement.	Yes. Your account increases along with the rate of inflation. Value of your account remains constant even while price of tuition increases.	No. Depending on the type of account (savings/brokerage) value of the account dependent on interest earned or value of portfolio at the time of a withdrawal or disbursement.	No. Depending on the type of account (savings/brokerage) value of the account dependent on interest earned or value of portfolio at the time of a withdrawal or disbursement.

<sup>1</sup> A qualified state tuition program under section 529 of the Internal Revenue Code. Plans will vary by state.

<sup>2</sup> A non-deductible plan that, with certain income and contribution limits, allows you to invest for college-related expenses.

<sup>3</sup> A brokerage account with custodial account registration; invest in mutual funds and individual securities, including stocks, and bonds, on behalf of a minor.

<sup>4</sup> Qualified Higher education expenses: tuition, fees, books, supplies, equipment required for enrollment or attendance, and in most cases room and board.

<sup>5</sup> AGI: Adjusted Gross Income located at the bottom of page one of your 1040 – gross income minus so-called above the line deductions.

<sup>6</sup> QTP: Qualified Tuition Program

